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SUBJECT: CORRUPTION IN KENYA: AUDITOR GENERAL REPORT
DETAILS THE COSTS OF GRAND SCALE GRAFT

Ref: A. Nairobi 1439, B. Nairobi 944

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¶1. (SBU) Summary: A long-awaited audit into the 18 suspect Anglo-Leasing-style procurement scams has been tabled in Parliament. Its detailed findings confirm and confer even greater credibility to the Githongo dossier and to the recently-adopted parliamentary report on the Anglo-Leasing and similar scandals. The audit report has again reminded Kenyans of the staggering economic costs to the country of grand scale corruption. End summary.

Auditor General's Report Tabled in Parliament

¶2. (SBU) Kenyan Finance Minister Amos Kimunya on April 19 tabled in Parliament "The Special Audit Report of the Controller and Auditor-General on Financing, Procurement and Implementation of Security Related Projects." The report had been ordered by Kimunya's predecessor, David Mwiraria, over 18 months earlier, in September, 2004, in response to public and donor demands for greater accountability in government contracts following earlier revelations of the Anglo-Leasing procurement scams. At that time, Mwiraria stated that the "forensic audit" would cover the two Anglo-Leasing contracts, plus 16 other deals of a similar nature.

Grand Scale Corruption by the Numbers

¶3. (SBU) The audit report notes that the 18 projects investigated were worth a combined KSh 56.8 billion (\$800 million). Of this amount, 59% is from contracts signed before the current administration came to power in 2002; 41% is from deals signed after that time. Only three of the 18 were completed; the others were frozen by the government when the audit was first ordered in September 2004. The upshot of the report is that all of the contracts were either of zero value or vastly overpriced.

But because the Auditor General was blocked by relevant ministries in assessing the value of the goods and/or services delivered under the contracts, it was unable to accurately assess the exact price tag to taxpayers. The report only goes so far as to say at least \$230 million was expended for certain.

The Staggering Opportunity Costs of Corruption

14. (SBU) These numbers are not new, just a bit more precise. The Githongo dossier estimated a loss of \$700 million to Kenya as a result of the 18 Anglo-Leasing-style contracts. The numbers are nonetheless staggering in the context of Kenya's economy and the challenges it faces. To gain an idea of the opportunity costs of grand scale corruption, it is useful to note that the \$800 million the government spent (or intended to spend) on the 18 contracts is equivalent to:

-- more than a year and half of all foreign assistance provided to Kenya by international development banks and bilateral donors.

-- more than twice the amount budgeted by the central government for roads in this fiscal year.

-- close to twice as much as all money budgeted for health.

-- close to the government's entire budget deficit forecast for this year.

-- three and half times the value of emergency food aid for drought-stricken Kenyans, as per the GOK's February appeal.

15. (SBU) The Auditor General's report makes a number of

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useful recommendations based on its findings, including greater parliamentary scrutiny of security and intelligence related projects and the formation of special parliamentary committee to perform this role.

Comment

16. (SBU) The audit report adds an additional layer of objective credibility to the Gitongo dossier, made public beginning in January, and to the report of Parliament's Public Accounts Committee (PAC), tabled on March 30 (ref A) and subsequently adopted by the full House on April 18. Finance Minister Kimunya deserves a pat on the back for tabling the report. It is an action civil society and donors have long pushed for from the GOK. But to keep this gesture of greater transparency in perspective, the GOK sat on the report for probably as long as a year, and only tabled it publicly when the cat had already been out of the bag as a result of the public release of the Githongo dossier and then the PAC report. The staggering opportunity costs of the Anglo-Leasing-style deals again remind Kenyans of the direct connection between grand scale corruption and the grinding poverty most suffer under. These costs should also remind the U.S. and other donors that these are not victimless white collar crimes. To the extent the USG can take action against the perpetrators of these crimes by revoking or denying visas (ref B), we should not hesitate to do so.
Bellamy